

CNB CORPORATION BOARD OF DIRECTORS

Harold G. Cushman, Jr., *Chairman*

| | |
|------------------------|------------------|
| James W. Barnette, Jr. | William O. Marsh |
| William R. Benson | George F. Sasser |
| Harold G. Cushman, III | Lynn G. Stevens |
| W. Jennings Duncan | John C. Thompson |
| Edward T. Kelaher | |

CONWAY NATIONAL BANK OFFICERS

| | |
|------------------------|--------------------------|
| W. Jennings Duncan | President |
| L. Ford Sanders, II | Executive Vice President |
| William R. Benson | Senior Vice President |
| Marion E. Freeman, Jr. | Senior Vice President |
| Phillip H. Thomas | Senior Vice President |
| M. Terry Hyman | Senior Vice President |
| Raymond Meeks | Vice President |
| A. Mitchell Godwin | Vice President |
| Jackie C. Stevens | Vice President |
| Betty M. Graham | Vice President |
| Ernest J. Lareau | Vice President |
| F. Timothy Howell | Vice President |
| E. Wayne Suggs | Vice President |
| Janice C. Simmons | Vice President |
| Patricia C. Catoe | Vice President |
| W. Michael Altman | Vice President |
| Boyd W. Gainey, Jr. | Vice President |
| William Carl Purvis | Vice President |
| Bryan T. Huggins | Vice President |
| Virginia B. Hucks | Vice President |
| W. Page Ambrose | Vice President |
| L. Ray Wells | Vice President |
| L. Kay Benton | Vice President |
| Gail S. Sansbury | Assistant Vice President |
| Roger L. Sweatt | Assistant Vice President |
| Timothy L. Phillips | Assistant Vice President |
| Helen A. Johnson | Assistant Vice President |
| Elaine H. Hughes | Assistant Vice President |
| Gwynn D. Branton | Assistant Vice President |
| Tammy S. Scarberry | Assistant Vice President |
| D. Scott Hucks | Assistant Vice President |
| Carlis L. Causey | Assistant Vice President |
| Jeffrey P. Singleton | Assistant Vice President |
| Sherry S. Sawyer | Banking Officer |
| Rebecca G. Singleton | Banking Officer |
| Josephine C. Fogle | Banking Officer |
| Debra B. Johnston | Banking Officer |
| Freeman R. Holmes, Jr. | Banking Officer |
| Doris B. Gasque | Banking Officer |
| Jennie L. Hyman | Banking Officer |
| Marsha S. Jordan | Banking Officer |
| Sylvia G. Dorman | Banking Officer |
| Marcie T. Shannon | Banking Officer |
| Caroline P. Juretic | Banking Officer |
| Sheila A. Graham | Banking Officer |
| John H. Sawyer, Jr. | Banking Officer |
| Nicole Scalise | Banking Officer |
| Janet F. Carter | Banking Officer |
| Dawn L. DePencier | Banking Officer |
| Steven D. Martin | Banking Officer |
| Carol M. Butler | Banking Officer |
| W. Eugene Gore, Jr. | Banking Officer |
| James P. Jordan, III | Banking Officer |
| John M. Proctor | Banking Officer |
| Whitney H. Hughes | Banking Officer |

TO OUR SHAREHOLDERS AND FRIENDS:

Conway National experienced solid financial performance through the first three quarters of 2007. Net income for the nine months ended September 30, 2007 totaled \$7,517,000, down slightly, .8%, from \$7,575,000 earned for the same period in 2006. On a per share basis, adjusted for the 10% stock dividend issued during September 2007, earnings declined .2% from \$8.74 in 2006 to \$8.72 in 2007. Total assets grew to \$849.1 million at September 30, 2007, with capital at \$84.7 million.

As of September 30, 2007, total assets were \$849,066,000, an increase of .1% over September 30, 2006; total deposits amounted to \$677,800,000, a decline of .3% from the previous year; loans totaled \$562,457,000, a decrease of .8% from 2006; and investment securities were \$208,590,000, an increase of 18.2% from the prior year. The lower level of growth in total assets, the decline in deposits, and the decline in loans are commensurate with the decline in the level of economic activity within the Bank's market area during the period, primarily associated with a slowing in the local real estate market. Also, in relation to deposit growth, the Federal Deposit Insurance Corporation recently released market share data for June 30, 2007, which indicated that Conway National rose from third to second position in Horry County market share despite a minor decline in deposits. As well, stockholders' equity rose to \$84,690,000 at September 30, 2007, an increase of 8.8% over the same period in 2006 resulting in a book value of \$98.52 per share, net of the effect of the 10% stock dividend issued in September 2007.

Net income for the nine-month period ended September 30, 2007 of \$7,517,000 represents an annualized return on average assets of 1.19% and an annualized return on average stockholders' equity of 12.47%, which compare favorably to peer and to historical returns experienced by the Bank. Bank earnings are primarily the result of the Bank's net interest income, which declined .3%, from \$23,202,000 for the nine-month period ended September 30, 2006 to \$23,121,000 for the nine-month period ended September 30, 2007. The decline in net interest income is attributable, in part, to the decline in economic activity as well as increased competition in the local market for both deposits and loans. Other factors which affect earnings include the provision for possible loan losses, other expense, and other income. The provision for possible loan losses decreased 34.6% from \$888,000 to \$581,000 for the nine-month periods ended September 30, 2006 and 2007, respectively. The decrease in the provision for possible loan losses is primarily due to weakened loan demand from the real estate sector. The allowance for loan losses, as a percentage of net loans, increased slightly from 1.15% at September 30, 2006 to 1.16% at September 30, 2007. Other expenses increased .6% from \$16,212,000 to \$16,309,000 and other income increased 1.5% from \$5,085,000 to \$5,160,000 during the same period. Non-interest expenses increased overall due to additional staffing, increased compensation, fixed asset expenditures, increased advertising, and increased health care costs. This increase in expenses was partially offset by a decline in the amount of expenses at the corporate level as well as the impact of the Bank's revision of its FASB 91 accounting procedures and the consequent impact of net deferred loan costs on salaries expense. Non-interest income increased primarily due to increased service charge income on deposit accounts offset by the non-recurrence of extraordinary other income received in 2006.

Conway National maintained solid earnings for the nine-month period ended September 30, 2007 despite the decline in economic activity during the period. During the third quarter of 2007 the Bank began clearing images with the Federal Reserve thus completing the Check 21 conversion process. The construction of our fifteenth banking office, Little River, is well underway; and we anticipate its opening in the first quarter of 2008. Renovations to the third floor of our Operations and Administration building are near completion.

In recognition of continued strong performance, the Board of Directors declared a ten percent stock dividend at the end of the third quarter of 2007. Thank you for your continued support which makes the Bank's success and this stock dividend possible.

W. Jennings Duncan, President
CNB Corporation and The Conway National Bank

CNB CORPORATION and THE CONWAY NATIONAL BANK



FINANCIAL REPORT

SEPTEMBER 30, 2007

www.conwaynationalbank.com

CNB CORPORATION AND SUBSIDIARY

Conway, South Carolina

CONSOLIDATED BALANCE SHEET (Unaudited)

| | Sept. 30, 2007 | Sept. 30, 2006 |
|---|-----------------------|-----------------------|
| ASSETS: | | |
| Cash and due from banks | \$ 18,255,000 | \$ 32,456,000 |
| Investment securities: | | |
| Obligations of United States government sponsored entities | 185,005,000 | 154,981,000 |
| Obligations of states and political subdivisions | 21,600,000 | 18,802,000 |
| Other securities | 1,985,000 | 2,724,000 |
| Total investment securities | <u>208,590,000</u> | <u>176,507,000</u> |
| Federal funds sold and securities purchased under agreement to resell | 30,500,000 | 44,000,000 |
| Loans | 562,457,000 | 567,088,000 |
| Less allowance for loan losses | (6,389,000) | (6,491,000) |
| Net loans | <u>556,068,000</u> | <u>560,597,000</u> |
| Bank premises and equipment | 22,544,000 | 21,329,000 |
| Other assets | 13,109,000 | 13,186,000 |
| Total assets | <u>\$ 849,066,000</u> | <u>\$ 848,075,000</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | |
| Liabilities: | | |
| Deposits: | | |
| Noninterest-bearing | \$ 125,115,000 | \$ 144,098,000 |
| Interest-bearing | 552,685,000 | 535,888,000 |
| Total deposits | <u>677,800,000</u> | <u>679,986,000</u> |
| Federal funds purchased and securities sold under agreement to repurchase | 72,792,000 | 65,547,000 |
| Other short-term borrowings | 5,817,000 | 18,436,000 |
| Other liabilities | 7,967,000 | 6,284,000 |
| Total Liabilities | <u>764,376,000</u> | <u>770,253,000</u> |
| Stockholders' Equity: | | |
| Common stock, par value \$10.00 per share: | | |
| Authorized 1,500,000; issued 789,774 in 2006 and 868,422 in 2007 | 8,684,000 | 7,898,000 |
| Surplus | 55,939,000 | 43,547,000 |
| Undivided profits | 21,320,000 | 28,669,000 |
| Net unrealized holding gains/(losses) on available-for-sale securities | 76,000 | (1,596,000) |
| Less treasury stock | (1,329,000) | (696,000) |
| Total stockholders' equity | <u>\$ 84,690,000</u> | <u>\$ 77,822,000</u> |
| Total liabilities and stockholders' equity | <u>\$ 849,066,000</u> | <u>\$ 848,075,000</u> |

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

| | Nine Months Ended Sept. 30, 2007 | Sept. 30, 2006 |
|---|-------------------------------------|---------------------|
| INTEREST INCOME: | | |
| Interest and fees on loans | \$ 32,872,000 | \$ 30,281,000 |
| Interest on investment securities: | | |
| Taxable investment securities | 5,234,000 | 4,372,000 |
| Tax-exempt investment securities | 661,000 | 601,000 |
| Other securities | 81,000 | 75,000 |
| Interest on federal funds sold and securities purchased under agreement to resell | <u>1,188,000</u> | <u>789,000</u> |
| Total interest income | <u>40,036,000</u> | <u>36,118,000</u> |
| INTEREST EXPENSE: | | |
| Interest on deposits | 14,790,000 | 11,613,000 |
| Interest on federal funds purchased and securities sold under agreement to repurchase | 2,076,000 | 835,000 |
| Interest on other short-term borrowings | 49,000 | 468,000 |
| Total interest expense | <u>16,915,000</u> | <u>12,916,000</u> |
| Net interest income | 23,121,000 | 23,202,000 |
| Provision for loan losses | 581,000 | 888,000 |
| Net interest income after provision for loan losses | <u>22,540,000</u> | <u>22,314,000</u> |
| Other income: | | |
| Service charges on deposit accounts | 2,690,000 | 2,465,000 |
| Gains/(losses) on securities | 9,000 | (6,000) |
| Other operating income | 2,461,000 | 2,626,000 |
| Total other income | <u>5,160,000</u> | <u>5,085,000</u> |
| Other expenses: | | |
| Salaries and employee benefits | 10,412,000 | 10,032,000 |
| Occupancy expense | 2,406,000 | 2,428,000 |
| Other operating expenses | 3,491,000 | 3,752,000 |
| Total other expenses | <u>16,309,000</u> | <u>16,212,000</u> |
| Income before income taxes | 11,391,000 | 11,187,000 |
| Income tax provision | 3,874,000 | 3,612,000 |
| Net Income | <u>\$ 7,517,000</u> | <u>\$ 7,575,000</u> |

| | | |
|--|-----------------|-----------------|
| *Per share: | | |
| Net income per weighted average shares outstanding | <u>\$ 8.72</u> | <u>\$ 8.74</u> |
| Cash dividend paid per share | <u>\$ 0</u> | <u>\$ 0</u> |
| Book value per actual number of shares outstanding | <u>\$ 98.52</u> | <u>\$ 90.10</u> |
| Weighted average number of shares outstanding | <u>862,510</u> | <u>866,258</u> |
| Actual number of shares outstanding | <u>859,617</u> | <u>863,686</u> |

*Adjusted for the effect of a 10% stock dividend issued during 2007.